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1 October 1973

Executive Register

73-672

MEMORANDUM FOR: Associate Deputy Director for Intelligence

SUBJECT : Meeting with Secretary of Defense, James R. Schlesinger

1. At a meeting with the Director of Central Intelligence on 1 October 1973, Secretary of Defense James R. Schlesinger expressed concern over the CIA estimates of defense as a share of Soviet Gross National Product (GNP). ER IM 73-59, A Comparison of the US and Soviet Economies, shows defense outlays to be [] of GNP in both the US and USSR. Secretary Schlesinger believes that if defense expenditures were properly computed, the share of defense in Soviet GNP would be much higher, both absolutely and relative to defense as a share of US GNP.

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[Redacted]

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[Redacted]

3. Secretary Schlesinger suggested that

[Redacted]

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6. The Office of Economic Research will attempt to reconcile Secretary Schlesinger's estimates with those of CIA. The cooperation of the Office of Strategic Research will be needed, particularly in meeting the Secretary's request for information on defense-related investment.



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Strategic Impact Branch

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1	DCI			11	IG		
2	DDCI			12	D/PPB		
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5	DDO			15	AO/DCI		
6	DDM&S			16	EX/SEC		
7	D/DCI/IC			17			
8	D/ONE			18			
9	GC			19			
10	LC			20			

SUSPENSE

Date

Remarks:

I passed this memo to SecDef with the note you drafted. He returned it to me sometime later with the comment that he was still somewhat dissatisfied and felt that our wording did not include some of the points he had made in his discussion (which we may not agree with, of course). In particular he questioned the percentages of labor devoted to defense purposes.

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(EXECUTIVE REGISTRY FILE S-17.3)

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What we are dealing with here may be the familiar problem of the difference between intelligence analysts' efforts to determine the real situation and the customers' need to have intelligence expressed in a form which is helpful to the development of policy formulation and decisions. So long as we honestly say what we are doing, it would seem that we might see what the results would look like if we respond to the request for a presentation in language which would be more useful, of course maintaining the integrity of the judgments we make in every respect.

Could we discuss this?

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OFFICIAL ROUTING SLIP <i>ER</i> <i>73-67281</i>			
TO	NAME AND ADDRESS	DATE	INITIALS
1	<i>MC</i> The Director	<i>10/27</i>	<i>mc/bip</i>
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Remarks: <p>Attached is a memo responding to Schlesinger's request concerning the defense share of Soviet GNP. He suggested that we test the reasonableness of our estimate and the effects of certain changes in computation.</p> <p>The conclusion is that our estimate is consistent with other Soviet data and that variations in computation do not change the judgment that the US and USSR are devoting roughly the same share of their respective GNPs to defense.</p> <p>Please sign the attached blue note.</p> <p><i>[Signature]</i> Ed Proctor</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
Deputy Director for Intelligence			25 Oct.
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